TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Report of the Chief Investment Officer | ITEM NUMBER: 14

ATTACHMENTS: 5

ACTION: ____ | DATE OF MEETING: June 6, 2001

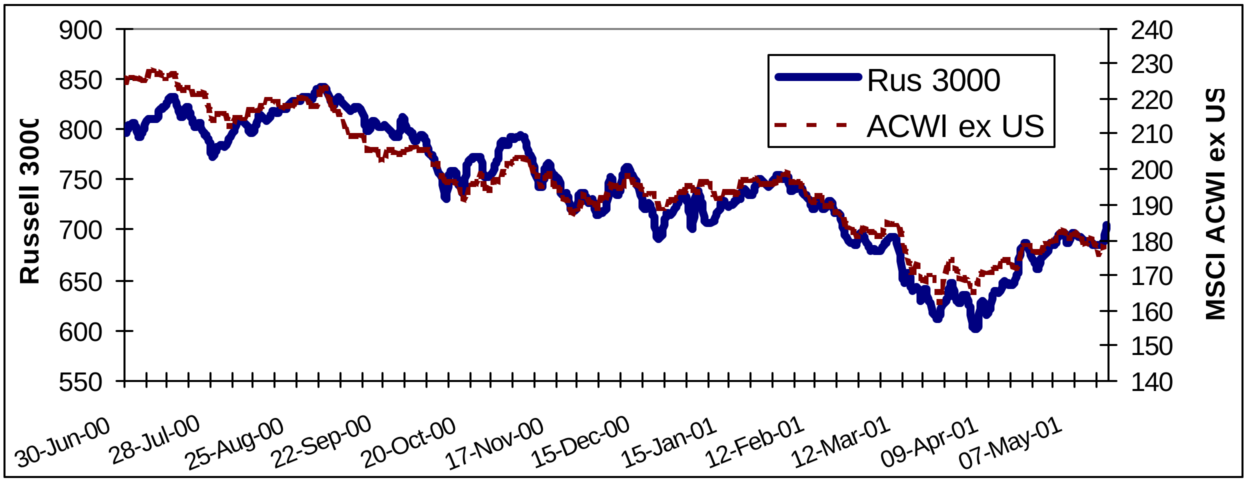
INFORMATION: X | PRESENTER: Christopher J. Ailman

The following is a brief summary of the developments that have occurred in the financial markets from April 30, 2001 through May 16, 2001. Also listed is a comparison of the same indices for the fiscal year to date. This is intended to provide a short overview of the activity that has occurred between the date of the attached report and the mailing date of the packet. The CIO will provide a further verbal update at the meeting.

	April 30	May 16	Direction
1. Interest rates:			
Federal Funds	4.69%	4.00%	↓ Down 69 BP
10-year U.S. Treasury Note yield	5.33%	5.44%	↑ Up 11 BP
30-year U.S. Treasury Bond yield	5.78%	5.85%	↑ Up 7 BP
2. U.S. Equity market:			
Russell 3000 Index	686.12	705.28	↑ Up 19.16
S&P 500 Index	1249.46	1284.99	↑ Up 35.53
NASDAQ Index	2116.24	2166.44	↑ Up 50.20
3. Non-U.S. Equity market:			
MSCI ACWI free (ex. U.S.)	180.08	178.00	↓ Down 2.08
MSCI EAFE	1369.47	1351.84	↓ Down 17.63
MSCI Emerging Markets	327.71	323.19	↓ Down 4.52
4. Currencies:			
U.S.$ vs. Euro	.89	.88	⇵ Trading range
U.S.$ vs. Yen	123.64	123.43	⇵ Trading range
British Pound vs. U.S.	1.43	1.43	⇵ Trading range
5. Commodities:			
Crude Oil per barrel	$28.46	$28.86	↑ Up $0.40
Gold	$264	$272	↑ Up $8
Mega Watt Hour (CA-OR on-peak)	$257	$140	↓ Down $117

As we close in on the final month of the fiscal year, this chart is intended to give you a comparison of the various indices from June 30 to the date of the mailing.

	June 30, 2000	May 16, 2001	Direction
6. Interest rates:			
Federal Funds	7.12%	4.00%	↓ Down 312 BP
10-year U.S. Treasury Note yield	6.01%	5.44%	↓ Down 57 BP
30-year U.S. Treasury Bond yield	5.89%	5.85%	↓ Down 4 BP
7. U.S. Equity market:			
Russell 3000 Index	796.44	705.28	↓ Down 91.16
S&P 500 Index	1454.60	1284.99	↓ Down 169.61
NASDAQ Index	3966.11	2166.44	↓ Down 1799.67
8. Non-U.S. Equity market:			
MSCI ACWI free (ex. U.S.)	222.48	178.00	↓ Down 44.48
MSCI EAFE	1679.61	1351.84	↓ Down 327.77
MSCI Emerging Markets	445.52	323.19	↓ Down 122.33
9. Currencies:			
U.S.$ vs. Euro	.95	.88	↑ Stronger U.S. $
U.S.$ vs. Yen	106.02	123.4	↑ Stronger U.S. $
British Pound vs. U.S.	1.52	1.43	↑ Stronger U.S. $
10. Commodities:			
Crude Oil per barrel	$32.50	$28.86	↓ Down $3.64
Gold	$290	$272	↓ Down $18
Mega Watt Hour (CA-OR on-peak)	$166	$140	↓ Down $26


Rus 3000
ACWI ex US
Russell 3000
MSCI ACWI ex US
900
850
800
750
700
650
600
550
240
230
220
210
200
190
180
170
160
150
140
30-Jun-00
28-Jul-00
25-Aug-00
22-Sep-00
20-Oct-00
17-Nov-00
15-Dec-00
15-Jan-01
12-Feb-01
12-Mar-01
09-Apr-01
07-May-01

Attachment 1
Investment Committee - Item 14
June 6, 2001

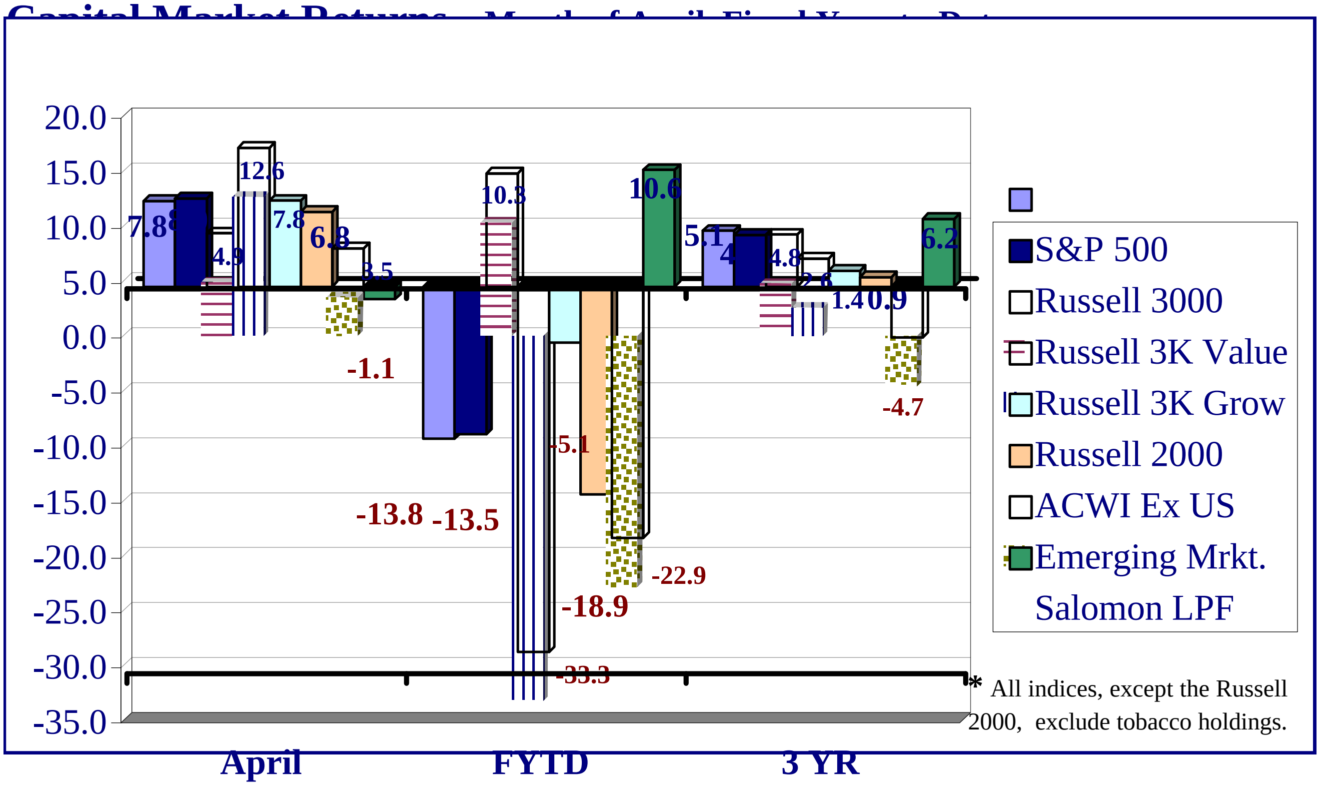
CalSTRS INVESTMENT COMMITTEE

Chief Investment Officer Report

Capital Market Environment

April 30, 2001

Russell 3000 January 1, 1999 - April 30, 2001



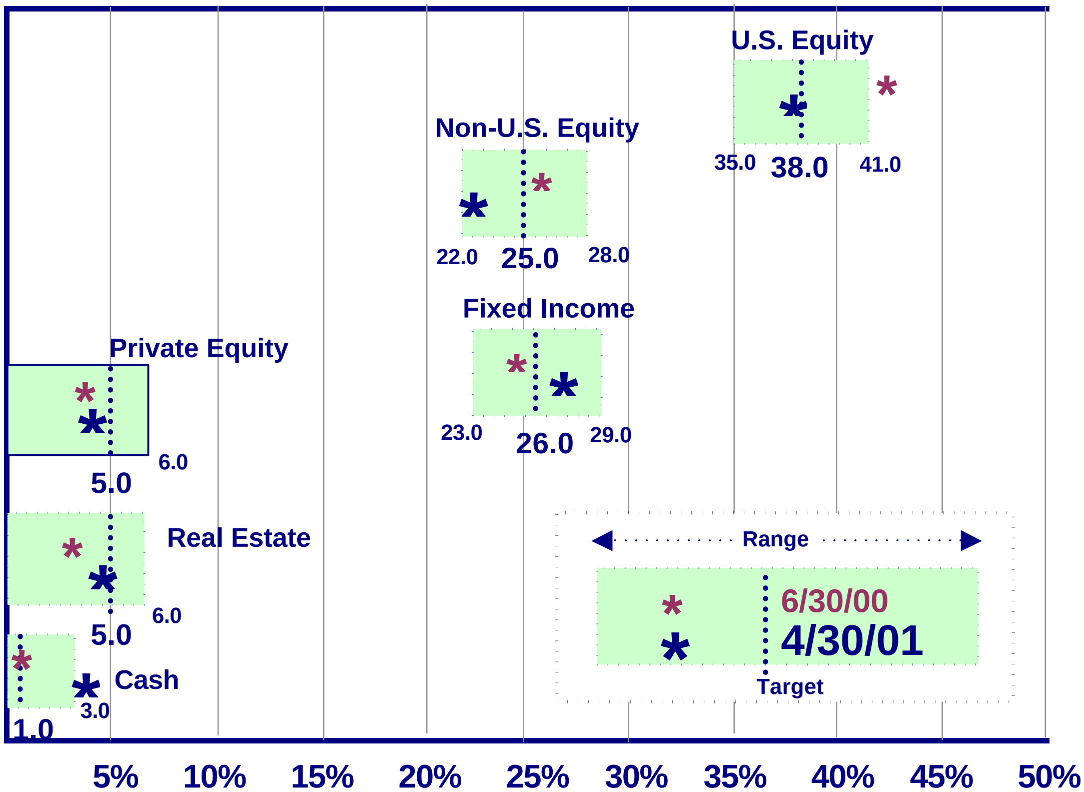
CalSTRS Retirement Fund

Monthly Asset Allocation Report

As of April 30, 2001

Current Allocation

versus Long Term Targets and Policy Ranges



California State Teachers' Retirement System
Investment Summary
For the Period ended April 30, 2001

Investment Summary - Market Value (amounts in millions)

Asset	This Month		One Year Ago		Three Years Ago		Five Years Ago	
Domestic Equity	$ 39,765	37.9%	$ 47,592	43.0%	$ 35,698	41.0%	$ 19,915	31.9%
International Equity	23,572	22.5%	28,286	25.6%	18,521	21.2%	9,265	14.8%
Fixed Income	28,194	26.9%	26,523	24.0%	25,541	29.3%	24,646	39.5%
Global Asset Allocators	N/A	N/A	N/A	N/A	2,575	3.0%	2,378	3.8%
Private Equity	10,108	9.6%	7,582	6.9%	3,661	4.2%	2,669	4.3%
Liquidity	3,336	3.2%	677	0.6%	1,169	1.3%	3,577	5.7%
Total Market Value	$ 104,975	100.0%	$ 110,660	100.0%	$ 87,165	100.0%	$ 62,450	100.0%

Performance Returns for Major Asset Categories

Asset	Month	Fiscal YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity	8.14	-13.85	-13.21	4.66	13.74	14.55
Int'l Equity	6.66	-17.23	-16.09	2.76	5.04	N/A
Fixed Income	-1.24	10.30	12.60	6.23	8.27	8.75
Real Estate	N/A	N/A	10.97	14.62	14.64	7.11
Alternative Investments	N/A	N/A	7.93	28.87	29.56	22.25
Liquidity	0.50	6.00	7.25	6.45	6.28	5.74
Total Fund	4.12	-7.41	-5.75	6.12	10.50	10.84
Indicies						
Domestic Equity Custom *	8.04	-13.51	-13.45	4.71	14.30	14.90
MSCI AC ex US *	6.81	-18.90	-17.61	0.87	3.75	6.52
Salomon LPF	-1.14	10.62	12.90	6.18	8.02	8.68
Real Estate Custom	N/A	N/A	11.68	12.58	12.24	6.79
T-Bill	0.38	4.92	5.92	5.27	5.26	4.83
Consumer Price Index	0.40	2.61	3.27	2.87	2.51	2.73
Wilshire 5000	8.23	-14.72	-14.07	4.01	13.65	14.58
Russell 3000 *	8.04	-13.51	-13.45	4.71	14.38	14.95
MSCI EAFE *	6.96	-17.43	-16.29	1.44	4.23	6.51
MSCI Emerging Mkt Free*	4.97	-25.50	-26.07	-6.75	-6.29	5.28
LB Gov / Corp	-0.75	9.97	12.11	6.34	7.40	7.85

Allocations of Cash and Reallocations of Assets
(does not include changes in the market value)

	Current Month	Past 12 Months
Cash Inflow:		
Contributions & misc receipts	$ 473.5	$ 4,367.8
Less: Benefits & misc. payments	$ (76.3)	$ (3,989.5)
Investment Income	$ 221.1	$ 3,086.2
Total Cash Inflow	$ 618.2	$ 3,464.5
Cash Allocation:		
Domestic Equity	$ 36.9	$ (1,289.1)
International Equity	$ (11.1)	$ (134.2)
Fixed Income	$ (722.0)	$ 165.5
Private Equity	$ 77.2	$ 2,168.0
Liquidity	$ 1,237.2	$ 2,554.3
Total Cash Allocation	$ 618.2	$ 3,464.5

* Indicies reflect ex Tobacco returns beginning 9/1/2000

Asset Allocation Percentage

Assets	Actual	Target	Difference	Range
Public Equity	60.3%	63.0%	(2.7%)	57 - 69
Public Fixed Income	30.0%	27.0%	3.0%	23 - 32
Private Equity	9.6%	10.0%	(0.4%)	8 - 12
Total Investment Assets	100.0%	100.0%		

Which can be compared to the strategic targets .....

Assets	Actual	Target	Difference	Range
Active - Domestic Equity	8.0%	7.6%	0.4%	6 - 9
Passive - Domestic Equity	29.9%	30.4%	(0.5%)	29 - 41
TOTAL DOMESTIC EQUITY	*37.9%*	*38.0%*	*(0.1%)*	*35 - 41*
Active - International Equity	10.4%	12.5%	(2.1%)	11 - 14
Passive -International Equity	12.1%	12.5%	(0.4%)	11 - 14
TOTAL NON-US EQUITY	*22.5%*	*25.0%*	*(2.5%)*	*22 - 28*
TOTAL PUBLIC EQUITY	***60.3%***	***63.0%***	***(2.7%)***	***57 - 69***
Real Estate	*4.9%*	*5.0%*	(0.1%)	
Alternative Investments	*4.7%*	*5.0%*	(0.3%)	
TOTAL PRIVATE EQUITY	***9.6%***	***10.0%***	***(0.4%)***	***8 - 12***
Domestic Fixed Income	26.9%	26.0%	0.9%	23 - 29
Liquidity	3.2%	1.0%	2.2%	0 - 3
TOTAL FIXED & LIQUIDITY	***30.0%***	***27.0%***	***3.0%***	***23 - 32***
TOTAL INVESTMENT ASSETS	100.0%	100.0%		

California State Teachers' Retirement System

Off Balance Sheet Transactions

For the period ended April 30, 2001

Currency Hedging - Market Value (amounts in millions)

Managers	Pacific Basin		European		Total	
Active International	$3,128.24	1.8%	$ 6,849.24	-0.5%	$9,977.48	0.2%
Passive International	$3,319.34	25.0%	$ 7,773.93	0.0%	$11,093.27	7.5%

** Does not include emerging market securities, Canadian stocks, cash or accruals.*

Currency Realized Gains/(Losses) (amounts in millions)

Managers	Currency Realized Gains/(Losses)		
	1 Month	1 Year	Since Inception
Active International	$1.51	$18.15	$92.99
Passive International	$14.03	$184.79	$549.07

Securities Lending Income

Asset	Current Fiscal Year 7/00-04/01	vs.	Prior Fiscal Year 7/99-04/00
Domestic Equity	$7,553,746		$9,851,928
International Equity	$27,024,847		$21,272,080
US Treasury	$15,469,559		$10,707,744
Other Fixed Income Securities	$949,589		$570,541
Total Income	$50,997,741		$42,402,293

Securities Lending (On-Loan/Collateral Summary)

Asset	Securities On-Loan	Collateral Valuation	Percent
Domestic Equity	$952,443,877	$990,250,429	104%
International Equity	$7,644,227,416	$8,030,851,293	105%
US Treasury	$8,579,341,373	$8,759,772,755	102%
Other Fixed Income Securities	$354,399,172	$362,572,494	102%
Total Value	$17,530,411,837	$18,143,446,971	103%

California State Teachers' Retirement System

Monthly Investment Summary

	Market Value 03/31/2001	Market %	Market Value 04/30/2001	Market %	Market Value Difference	% Diff.
Liquidity						
Cash Allocation	1,960,917,887		3,209,425,916		1,248,508,029	
US Cash Equitization	116,632,423		125,742,007		9,109,584	
Total Liquidity	2,077,550,310	2.07%	3,335,167,923	3.18%	1,257,617,613	1.11%
Domestic Equity						
Active						
Ariel Capital	450,124,235		454,605,426		4,481,191	
BGI - Enhanced	597,539,618		647,142,133		49,602,516	
Brinson Partners	571,651,524		598,517,042		26,865,518	
Brown Capital Management	372,939,200		409,250,982		36,311,782	
Chicago Equity Partners	449,658,041		486,633,228		36,975,187	
Delaware Investment Adv	459,424,311		473,803,827		14,379,516	
Delphi Management, Inc	202,398,342		216,091,399		13,693,057	
Denver Investment Advisors	575,023,782		644,487,741		69,463,959	
DSI International Management	656,694,045		707,907,911		51,213,866	
First Quadrant	437,071,813		466,711,523		29,639,709	
Mellon Capital Management	543,828,961		587,513,454		43,684,493	
NCM Capital Management	455,063,782		511,733,782		56,670,000	
Putnam Investments	341,666,487		385,841,831		44,175,344	
Sasco Capital	719,169,403		739,483,352		20,313,950	
SSgA - Enhanced	658,413,824		708,538,374		50,124,550	
TCW Asset Manangement Co	278,362,148		348,503,503		70,141,355	
Passive						
BGI Extended Market Index	2,102,800,101		2,338,551,206		235,751,105	
BGI S&P 500 Index	13,070,898,382		14,088,566,369		1,017,667,987	
SSgA - Extended Mkt Index	1,406,940,960		1,561,559,622		154,618,662	
STRS S&P 500 Index	12,422,693,526		13,389,472,962		966,779,435	
Transition						
STRS Domestic	1		1		0	
Total Domestic Equity	36,772,362,486	36.62%	39,764,915,668	37.88%	2,992,553,181	1.26%
International Equity						
Active						
Bank of Ireland Asset Management	873,236,242		928,121,806		54,885,564	
Battery March Financial Mgmt Inc.	404,127,309		425,417,561		21,290,252	
Blackrock, Inc.	270,040,945		290,301,921		20,260,977	
Brinson Partners Non-USEQ	442,845,689		468,642,484		25,796,795	
Capital Guardian Trust	1,263,996,082		1,385,474,015		121,477,933	
Delaware Int'l Advisors Inc.	458,217,631		483,831,550		25,613,919	
Fidelity Management Co.	478,400,312		507,593,036		29,192,724	
Fiduciary Trust	587,433,611		625,547,418		38,113,807	
Goldman Sachs Asset Mgmt	377,238,564		403,789,909		26,551,345	
Lazard Freres	811,042,815		856,450,567		45,407,752	
Marvin & Palmer Assoc, Inc.	451,229,309		468,082,110		16,852,801	
Morgan Stanley	765,569,158		806,280,463		40,711,305	

California State Teachers' Retirement System
Monthly Investment Summary

	Market Value 03/31/2001	Market %	Market Value 04/30/2001	Market %	Market Value Difference	% Diff.
Newport Pacific Mgmt	250,359,124		267,425,737		17,066,613	
Nicholas-Applegate Capital Mgmt	465,799,436		497,881,392		32,081,956	
Oechsle International	1,062,709,733		1,134,564,071		71,854,338	
Schroder Capital	544,237,037		579,965,185		35,728,148	
Scudder Kemper Investments	721,272,690		771,176,910		49,904,220	
Passive						
BGI - EAFE Index	6,349,519,130		6,774,912,930		425,393,800	
SSgA - EAFE Index	4,182,160,660		4,464,800,838		282,640,178	
SSgA - Emerging Market Index	1,355,954,455		1,431,435,242		75,480,788	
Transition						
STRS International	53,126		92,492		39,366	
Total International Equity	22,115,443,055	22.02%	23,571,787,636	22.45%	1,456,344,580	0.43%
Fixed Income						
Corporate Bond Index	9,299,856,923		9,145,493,004		(154,363,919)	
Mortgage Backed Security Index	8,261,635,247		8,211,732,597		(49,902,650)	
Mortgage Loan	688,411,599		719,064,430		30,652,831	
US Treasury & Agency Index	11,142,458,311		10,118,062,652		(1,024,395,659)	
Total Fixed Income	29,392,362,080	29.27%	28,194,352,684	26.86%	(1,198,009,396)	(2.41%)
Real Estate						
CB Richard Ellis	1,579,346,386		1,579,660,640		314,255	
Clarion Partners, LLC	403,580,165		403,575,315		(4,850)	
Heitman Capital Management	314,362,757		314,438,160		75,403	
Lend Lease	1,138,220,423		1,133,454,855		(4,765,568)	
Lowe Enterprisees Inv Mgmt	160,983,023		160,981,519		(1,505)	
MIG Realty Advisors	336,856,278		336,830,707		(25,572)	
Sentinel Realty Advisors	17,414,092		17,411,639		(2,453)	
Special Situations	485,681,350		474,199,408		(11,481,941)	
SSR Realty Advisors	572,169,494		572,136,410		(33,084)	
Thomas Properties Group	140,671,952		156,015,318		15,343,366	
Total Real Estate	5,149,285,919	5.13%	5,148,703,971	4.90%	(581,949)	(0.22%)
Alternative Investments						
Distributed Stock	30,492,111		21,015,011		(9,477,100)	
Limited Partnerships	4,884,637,859		4,939,454,572		54,816,714	
Total Alternative Investments	4,915,129,970	4.89%	4,960,469,583	4.73%	45,339,613	(0.17%)
Grand Total	100,422,133,820	100.00%	104,975,397,464	100.00%	4,553,263,643	

PLEASE NOTE:

All Figures Include Accruals
The Information contained in this report is UNAUDITED
Member Home Loan Securitization Principal Balance as of 4/30/2001 is $105,505,499
The Internally Managed Cash Collateral Portfolio is NOT included above.
The Net Asset Value as of 4/30/2001 is $2,849,776,591

California State Teachers' Retirement System
Internal S&P 500 ex-Tobacco Indexed Portfolio

The California State Teachers' Retirement System's internal S&P 500 ex-Tobacco Indexed Portfolio (Portfolio) was $13,389,472,962 as of April 30, 2001. The Portfolio seeks to closely track the return of the custom S&P 500 ex-Tobacco Index[2].

Table 1 below shows the returns of the Portfolio[1].

Table 1: Performance as of April 30, 2001

Period	Portfolio	Index	Tracking Error
Total Return			
1998, Apr-Dec	+12.892%	+12.975%	-0.084%
1999	+21.111%	+20.987%	+0.124%
2000	-9.450%	-9.486%	+0.036%
2001 YTD	-5.200%	-5.211%	+0.011%
Annualized Return			
1 Year	-13.472%	-13.525%	+0.053%
2 Years	-2.318%	-2.385%	+0.067%
3 Years	+5.120%	+5.093%	+0.027%
Since Inception	+5.330%	+5.303%	+0.027%

[1] Inception date of March 31, 1998
[2] Effective September 1, 2000, the benchmark for the CalSTRS S&P 500 ex-Tobacco Indexed Portfolio is the custom S&P 500 ex-Tobacco Index